

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of)
Implementation of Section 621(a)(1) of)
The Cable Communications Policy Act)
Of 1984 as Amended by the Cable)
Television Consumer Protection and)
Competition Act of 1992)

MB Docket No. 05-311

COMMENTS OF THE CALIFORNIA SMALL BUSINESS ROUNDTABLE

February 7, 2006

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I. STATEMENT OF INTEREST

The California Small Business Roundtable (CSBRT) is an advocacy organization, consisting of 40 leading small businesses from across the state of California. CSBRT provides general advocacy on behalf of small business owners in California, disseminates information relevant to such businesses and represents the interests of small businesses before various public agencies. Additionally, CSBRT offers guidance on public policy to the California Small Business Association (CSBA), which is a 501(c)(6), nonprofit membership grassroots, organization dedicated to helping members “grow their businesses.”¹ Together, CSBRT and CSBA represent approximately 203,000 small business owners in the state of California. CSBRT has a strong interest in the above-captioned Federal Communications Commission (FCC) Notice of Proposed Rulemaking (NPRM) proceeding because small business owners are directly impacted by the lack of competition in the video services market.

II. SUMMARY

For CSBRT the dearth of multi-channel video services distributors (MVPDs) severely curtails the ability of small businesses to provide related services and products to their customers at competitive prices. Technology is one of the greatest tools for small businesses to use in order to compete with larger enterprises. In a state that is as populous, demographically diverse and

¹ See <http://www.csba.com/whatiscsba/index.html>.

geographically massive as California, small businesses can use advanced video, telephony and data (which as the FCC acknowledges are “intrinsically linked”) to:

- Communicate with people scattered over a wide area;
- Communicate better with local people; and
- Use additional sales channels to differentiate their products and services.

Cumbersome local franchising regulations function as a barrier to rapid growth in the video service market and threaten to stall California’s economic recovery.

III. DISCUSSION

A recent Phoenix Center study noted that the local franchising process raises the costs of entry and causes considerable delay in the construction of these new, multi-service broadband networks. It estimates that delaying video entry by one year would cost American consumers \$8.2 billion in consumer welfare from video services alone, and these losses increase with each year of delay.² The study goes on to cite the FCC’s findings related to local franchising, [the local franchise process is perhaps] “the most important policy relevant barrier to competitive entry in local cable markets.”³

² PHOENIX CENTER PUBLIC POLICY PAPER NO. 23 discusses the important link between the availability of video services is crucial to the business case for constructing a broadband network in low-income areas. Delay in video entry will cause significant delay in broadband services in low-income areas, and the consumer welfare loss of that situation is likely to be significant. George S. Ford, Thomas M. Koutsky and Lawrence J. Spiwak, *The Impact of Video Service Regulation on the Construction of Broadband Networks to Low-Income Households*, PHOENIX CENTER POLICY PAPER NO. 23 (September 2005) (available at: <http://www.phoenix-center.org/pcpp/PCPP23Final.pdf>).

³ In re Implementation of Section 19 of the Cable Television Consumer Protection and Competition Act of 1992, Annual Assessment of the Status of Competition in the Market for Delivery of Video Programming, 9 FCC Rcd 7442, Appendix H at ¶ 375 (1994).

CSBRT shares the FCC's perspective that local franchising process is the greatest impediment to competitive entry in local cable markets. Undoubtedly, the FCC will receive a fair number of comments from consumer advocates and potential MVPDs. CSBRT shares many of their concerns. Small businesses, however, have a particularly unique perspective that the FCC should consider as it attempts to spur competition in local cable markets. Specifically, small businesses are both consumers in the traditional sense and providers of services and products that use video, broadband and advanced services to compete. Dr. Esteban Soriano, in his white paper entitled *Broadband Video Access And Economic Advancement: Cable's Unrealized Potential for Big Impact on Small Business*, exhaustively chronicled how small business owners envisioned a broad range of business applications for broadband 2-way interactive video once they are informed and educated about the technology's capabilities. In particular, he detailed a few applications that could assist small businesses in saving time by using technology to accomplish time-consuming tasks.⁴ These include:

- Virtual Face-to-Face Meetings and Consultations between Provider and Client
- Videoconferencing Among Project Team Members
- Training Sessions and Continuing Education Courses
- Personal Professional Services on Demand
- "How To" Technical Assistance on a Fee Basis/By The Minute.
- Individualized Customer Care Service.
- Virtual Presentations/Marketing to Small and Remote Groups

⁴ California Small Business Education Foundation (October 2005), p 11.

- Program Tie-Ins: Linking Products and Services to Specific TV Programming.
- Narrowcast, Specialty Real-Time Auctions and Product Sales
- “Pre Sale” Product Introductions and Review.⁵

In addition to assisting small businesses with the implementation of innovative products and services, removing barriers to local franchising will provide CSBRT members with the opportunity to partner with competitive MVPDs as they invest in building new networks.

IV. CONCLUSION

CSBRT commends the FCC for opening this NPRM to solicit comments for how best to spur competition in local cable markets. The answer lies partially with the FCC. Streamlining the local franchising process would enable new entrants to provide small businesses with the video and advanced broadband services necessary to compete around the state of California, across the United States and throughout the world. The FCC must act this year to eliminate the regulatory barrier of franchising. Each year of delay represents billions of dollars of lost consumer benefit.⁶

Respectfully submitted,

By: Betty Jo Toccoli
Chair and CEO

⁵ Ibid at 11-13.

⁶ Supra, at fn. 2.

